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FM AMEMBASSY MOSCOW
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6177
INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY
RUEHXD/MOSCOW POLITICAL COLLECTIVE PRIORITY
RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY

C O N F I D E N T I A L SECTION 01 OF 05 MOSCOW 013171

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E.O. 12958: DECL: 12/29/2016

TAGS: [PREL](#) [PARM](#) [ETRD](#) [KNNP](#) [MASS](#) [IR](#) [RS](#)

SUBJECT: RUSSIA AND IRAN: AFTER THE SANCTIONS RESOLUTION

REF: A. MOSCOW 12914

[B.](#) MOSCOW 10956

Classified By: Ambassador William J. Burns. Reasons: 1.4(B/D).

¶1. (C) Summary: Russia has repeatedly told us that when it comes to preventing Iran from developing nuclear weapons, it shares our strategic goal but differs with us over tactics. Moscow's reluctance to agree to coercive measures was on full display during consideration of UNSCR 1737, but in the end Russia accepted a sanctions regime that it perceived as protecting its national, as well as commercial interests. Russia's efforts to insulate the Bushehr reactor contract and previously concluded arms sales from sanctions were aimed at demonstrating to other potential customers that Moscow is a reliable supplier. While politically significant elites have a stake in arms sales and energy cooperation with Iran, for now, Russia's commercial interests in Iran are more prospective than real.

¶2. (C) Russia sees no immediate threat to its interests from Iran's increasingly assertive role in the Middle East and, in fact, some view this as a positive development that introduces another, "independent" actor in a region that had been dominated by the United States. Nor is Moscow particularly concerned about Iran's more ideological politics at home, which have yet to be translated into support for radical Islamist force in Moscow's neighborhood or Russia itself. While Russian officials see a nuclear-armed Iran as a threat to Russian interests, they do not believe it is imminent. However, the prospect of U.S. military intervention is seen as immediately destabilizing. While Russia has now accepted the logic of a sanctions regime after much resistance, we can expect continued efforts to delay the imposition of more coercive measures. Russia hopes Tehran will be willing to negotiate, but in the meantime it will maneuver to always remain closer to Tehran than its other EU-3 Plus 3 partners. End Summary.

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PROTECTING RUSSIAN INTERESTS

¶3. (SBU) FM Lavrov's public statements immediately following the adoption of UNSCR 1737 encapsulated Russia's dilemma regarding Iran's nuclear program. In comments made to a meeting of ministers chaired by President Putin, Lavrov said that Russia had to balance three "targets" in the Security Council -- preventing WMD proliferation, leaving room for further negotiations with Tehran, and avoiding damage to Russia's "legitimate ties" with Iran. The Foreign Minister was satisfied that the resolution met all three goals, but underlined in a response to a question from Putin that Russian economic interests in the Bushehr plant and arms sales to Tehran had specifically been protected. Left unsaid by Lavrov was how Russia could continue to maintain this tenuous balance in the event Iran did not comply with the resolution. We asked government officials and think tankers

during the time UNSCR 1737 was being considered how Russia weighed these interests, whether changes in Iran's domestic politics and regional role affected this calculus, and how difficult Moscow will prove in achieving our shared goal of a non-nuclear Iran.

NUCLEAR COOPERATION

¶4. (C) Lavrov's emphasis on protecting the Bushehr contract reflects the importance Moscow attaches to being viewed as a reliable nuclear supplier. The head of the Russian Federal Agency for Nuclear Energy (Rosatom) Sergey Kiriyenko told the Ambassador in mid-December after returning from Tehran (ref A) that Russia was still planning to deliver fuel for Bushehr in March 2007. Kiriyenko commented that he is fully aware of the "serious question" posed by Tehran's noncompliance with IAEA requirements. Still, he said, Russia does not want the reputation of a country that fulfills or does not fulfill its contracts based on political issues. Under the supplemental agreement agreed to September, the physical launch of Bushehr will take place in September 2007, with generation of electrical power commencing in November (ref B).

¶5. (C) While Kiriyenko reiterated publicly the day before passage of the resolution that plant completion was on track, he added that this schedule was dependent on Iran supplying "proper financing" and the timely delivery of required equipment from third countries. A Japanese diplomat told us that his contacts in the Foreign Ministry had suggested that Iran was balking at providing further financing because of cost overruns and that this might lead to further time-consuming negotiations. Technical problems might also lead to delays. MFA Second Asia Director Aleksandr Maryasov

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noted that the Iranians continued to make few allowances for the difficulties faced by Russian contractors, who were trying to mesh German equipment already in place with Russian gear.

¶6. (C) Russian concerns about exempting Bushehr from the effects of UNSCR 1737 aside, Security Council Secretary Ivanov has repeatedly underscored to the Ambassador that commercial factors do not determine Russia's policy towards Iran. Other experts also discounted the weight that nuclear cooperation with Iran had in Russia's policy toward Tehran. Aleksandr Pikayev, head of the disarmament department of the Institute of World Economics and International Relations (IMEMO) said that Bushehr no longer had the same significance to Russian interests that it did in the Yelstin years. Bushehr itself was almost completed, and while there were hopes of building other reactors in Iran, Rosatom was now more interested in the expansion of nuclear energy plants in Russia and in other countries which did not pose the same challenges to work in that Iran did. Ivan Safranchuk of the World Security Institute noted that Russia's concerns about civil nuclear sales worldwide meant it was likely Russia would try to fulfill the Bushehr contract, but that Moscow would think twice before pushing further contracts in a country that was increasingly becoming a nuclear pariah. Still, there are others in the GOR who are keen to compete for lucrative nuclear power plant contracts in Iran -- at almost USD 1 billion each.

ARMS SALES AND PIPELINE POLITICS

¶7. (C) Next to nuclear energy cooperation, arms sales to Tehran constitute one of the largest elements in the relatively modest USD 1.8 billion in bilateral trade in 2005. Pikayev argued that the "minuscule" level of trade between Russia and Iran argued against economic interests being a driver of policy, but acknowledged that the healthy trade in arms created a strong lobby for Iran in the Kremlin, among whom he included DPM/Defense Minister Sergey Ivanov. Ivanov,

who is a leading contender to succeed Putin in 2008, argued publicly in late-August that Iran's nuclear program did not constitute the type of threat to international peace and security that should be subject to UN Security Council sanction. While Ivanov has been quiet since then, Nina Mamedova, Head of the Iran Section in the Oriental Institute, cautioned against underestimating the importance of arms sales to Iran for the Russian military-industrial complex because it was a "protected" market due to restrictions on Western sales.

¶18. (C) Few experts placed much importance on the gas factor in weighing Russia's interests. Mamedova highlighted Gazprom's interest not only in developing the Pars field, but in working with Iran to encourage the construction of the Iran-Pakistan-India pipeline. However, Pikayev argued that Iran and Russia were competitors more than collaborators in the energy field, because Russia wanted to wall off its European markets from any potential Iranian gas sales; in addition, the two countries would eventually compete for sales to South Asia. While Gazprom was interested in developing the gigantic Pars field in Iran, Pikayev doubted that Iran would let the Russian company in because of fears that this would provide Moscow unwanted leverage.

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IS IRAN DIFFERENT NOW?

¶19. (C) While Russian interests in nuclear cooperation, arms sales, and energy are longstanding fixtures in bilateral relations, the reconsolidation of conservative Islamic forces in Iran has led some to publicly question Russia's close ties. However, the MFA does not view on-going political change in Iran as requiring a rethink of the relationship. Maryasov, who has served 18 years in Iran, the last several as Ambassador, explained Ahmadinejad's success as a reaction to the failure of reformists, unable to implement the promises they made. Russia should not be concerned by the changes in Iran, according to Russian Institute for Strategic Studies Director Yevgeniy Kozhokin, since it could count on a slow process of internal transformation that would eventually lead to liberalization by elites interested in integration with the rest of the world.

¶110. (C) Maryasov saw the nuclear question as one of few where there was full consensus among Iranian elites. He judged there were some tactical differences between pragmatists who favor a path of negotiations and more radical elements who believed that two years of negotiations with the EU-3 had produced no concrete results. The radicals argued that Iran's nuclear program provided Tehran with leverage

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against the West and bolstered aspirations to regional hegemony. Maryasov said that in the end, the Iranian leadership approached the nuclear issue with a mix of ideological and religious values and a healthy sense of realpolitik that took note of the differing outcomes for Iraq and the DPRK once they tried to acquire WMD. Local elections in Iran that were widely viewed as a setback to conservatives were unlikely to change either Iran's nuclear policies or its relations with the outside world, according to Rajab Safarov, General Director of the Iran Studies Center.

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A REGIONAL POWER IS (RE)BORN

¶111. (C) Iran's increasingly assertive role in the Middle East was flagged by many Russian experts with whom we spoke as a significant change in the regional power balance. The experts were almost unanimous in naming Iran as a "winner" and Israel as the loser following this past summer's fighting in Lebanon. Israel and Middle East Studies Institute Director Yevgeniy Satanovskiy said that a newly emboldened Iran was posing an increasing challenge to the security interests of Saudi Arabia and the Gulf states, particularly

given the size of the Shia populations in these neighboring countries. In his view, Ahmadinejad could transcend the Sunni-Shia divide and differences between Arabs and Persians -- witness support for Iran during the war in Lebanon. He said that Iran posed a different threat than Iraq or the Taliban in Afghanistan did because it had the veneer of democracy but had expansionist goals akin to the post-Stalinist USSR. In this sense, Russia's interests as a status quo power could eventually be threatened.

¶12. (C) Not all experts were as concerned about Iran's growing role. Kozhokin, who is connected with the Russian security services and the military for whom his Institute provides consulting services, agreed that after the conflict in Lebanon, Iran would play an ever greater role in the Middle East and could pursue regional hegemony as the Shah did in the seventies. He saw this as a natural result of Iran's large population and resources. IMEMO's Pikayev and World Security Institute's Safranchuk argued that Russia accepted a greater role for Iran in the Middle East. The Kremlin viewed Iran as the only "independent" state in the Gulf, which could make its own decisions and did not depend on the U.S. Iran could eventually become Russia's ally in the Shanghai Cooperation Organization as part of an "energy wing."

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CLOSER TO HOME: KEEPING THE LID ON

¶13. (C) It has become a commonplace assumption among some analysts that Russia has been careful in dealing with Iran because Tehran could make trouble for Russia among Muslims inside Russia and in its neighborhood as well as in the broader Islamic world. The think tankers we spoke to challenged at least the first half of that assertion. Khozhokin argued that Iran was simply not powerful enough to threaten Russia by stimulating radical Islam in Russia. Unlike Saudi Arabia, Pakistan or Turkey, Iran had not been involved in supporting Chechen rebels and had no infrastructure or networks that could be used for this purpose. Satanovskiy, who has warned in the past about the potential for radicalization of Russia's Muslims, told us that if there were a threat, it did not come from Iran; he pointed the finger instead at students from Russia who were receiving "extremist indoctrination" when they studied in Egypt's Al Azhar University. The Oriental Institute's Mamedova added that Iran, as a Shia state, would not gain much traction in the largely Sunni North Caucasus.

¶14. (C) Iran has had a more significant role in Russia's neighborhood and with other Islamic states. In general, Institute of Europe Director Sergey Karaganov told us, Moscow views Tehran as a status quo power in the Russian neighborhood. Mamedova pointed out that Iran had been influential in helping Russia gain observer status in the Organization of the Islamic Conference over the objections of Pakistan and others and had insulated Russia from the most severe critics of its Chechnya policy. Pikayev noted that Iran had been helpful to Russia during the civil war in Tajikistan and with the Taliban, but now there was less incentive to collaborate with Tehran. The one concern Pikayev identified was a possible threat to Azerbaijan by Iran, which Russia would find unacceptable. Mamedova argued that nationalist differences within Iran between the majority Persian population and sizable minorities like the Azeris and Kurds made playing the separatist card against Russia a dangerous ploy for Tehran.

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WHAT'S IN IT FOR ME?

¶15. (C) While personal financial interests of top level officials have affected Iran policy in the past -- witness the MINATOM of the nineties -- ROSATOM officials were now

more interested in building scores of nuclear power plants in Russia. At the same time, Pikayev argued to us, the personal interests of Russian officials in arms sales to Iran had an "unquantifiable" effect on Russia's Iran policy. Satanovskiy was more blunt. He saw Russia's Middle East policy, including toward Iran, as driven by the elite's "pragmatic" commercial interests. "Russia had no friends (in the region), it had contracts." In his view, military-industrial interests that had a piece of specific deals would have greater weight in the Kremlin than those who expressed concerns about the threat that a nuclear-armed Iran might eventually pose to Russian interests. Even when the "top" had decided on a policy, such controls could be easily skirted, Satanovskiy argued, pointing to a shipment of arms to Syria even after Putin had decided to suspend such sales because of concerns about Syrian diversions to Hezbollah. At the same time, he believed that Russia would never give the Iranians anything that could cause a real threat to the United States because in the end the relationship with the U.S. was more important.

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IS A NUCLEAR IRAN REALLY A THREAT TO RUSSIA?

¶16. (C) Russian officials often argue that they understand that a nuclear-armed Iran would pose a threat to Russian interests, but it is not clear how they evaluate the importance of that threat compared to others Moscow faces nor how immediate they judge that threat might be. The Russian Strategic Studies Institute's Kozhokin mirrored conventional wisdom here in arguing that "no serious person" could want a nuclear-armed Iran and that Russia participated in nonproliferation activities related to Iran not only because of U.S. pressure, but because a nuclear Iran threatened its interests. On the question of timing, the MFA's Maryasov asserted that there was no compelling proof yet of a military research program. His estimate was that Iran's research and enrichment programs were aimed at providing Tehran the opportunity to make a decision on a military program sometime in the future as the political cycle developed. Rosatom's Kiriyenko reflected longstanding views among GOR officials that the Iranians lacked the technical capacity to pursue a full-fledged program. He told the Ambassador that Iran's claims of progress on enrichment were "comical" and that his staff had noticed a virtual collapse in the Iranian nuclear energy agency because of the loss of skilled professionals (ref A).

¶17. (C) Reiterating views shared by other experts, Pikayev argued that it was "impossible" to imagine that a nuclear-armed Iran would act aggressively against Russia because of Moscow's ability to deter Iran. At the same time, there was little likelihood that Russia would want to project power into areas of Iranian interest. For Russia, the "worst had already happened" when Pakistan went nuclear, given Islamabad's ties to the Taliban and the safe haven and support it allegedly offered to Chechen separatists. However, there were continuing concerns about the leak of nuclear materials to non-state actors, which Iran might facilitate, and which merited careful attention. The Carnegie Center's Aleksandr Arbatov was more direct: in the short term, the biggest threat to Russia's interests was the prospect of U.S. military intervention in Iran.

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FINDING A BALANCE

¶18. (C) FM Lavrov's "report" to Putin about the sanctions resolution was long on describing how Russian contracts would be protected, but short on next steps. Lavrov stressed that the sanctions could be suspended if Iran met the demands of the international community, but offered no judgment on how likely this was or what would happen if it did not take place. The MFA's Maryasov explained Russian hesitancy on the resolution as the result of Moscow's concerns about the consequences of imposing a sanctions regime; "these things can take on a life of their own" which could injure Russian interests more than the West, he said. Pikayev suggested

that Russia would likely follow France's position closely because Moscow judged that Paris shared Russian views that a diplomatic solution was still possible that would protect European (and Russian) commercial interests. However, following the EU-3 lead posed risks for Russia's freedom of maneuver and there were some in the Kremlin who rejected it for that reason. He suggested that the Security Council also

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saw a more "independent" line as bolstering Russia's interests, which explained why Igor Ivanov continued to take an "unusual level of interest" in the Iranian nuclear file.

¶19. (C) In addition to Russia's specific strategic and commercial interests in Iran, other, more intangible factors are likely to come into play in Russia's Iran diplomacy. Pikayev suggested that we not discount the influence of personal relationships in examining Russia's policies toward Iran. He suggested that the Russian elite had felt betrayed by what he termed the cynical use by Iran of the proposal for a uranium enrichment joint venture to shield Iran from international pressure as well as Ahmadinejad's failure to respond promptly and constructively to the EU-3 Plus 3 proposal as the Iranian leader had promised to Putin in Shanghai last summer.

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COMMENT

¶20. (C) In some sense, Russia already made its choice to support a more coercive policy toward Iran when it agreed to the EU-3 Plus 3 strategy of negotiations with Iran coupled with deadlines for an Iranian response in UNSCR 1696. Russia wanted above all to avoid the "Iraqi example" -- where a Russian partner was isolated and the U.S. was able to build a record of non-compliance which could be used to justify further coercive measures -- but it has now ended up with exactly that. Continuing Iranian intransigence over negotiations gave Russian diplomats nothing to push back with in discussions with the West. Moscow supported Iran's slow rolling the process in hopes that it would allow time for a deal to be reached, but Russia miscalculated Iran's willingness to deal.

¶21. (C) Now that a sanctions regime has been adopted, we need to pay close attention to Moscow's implementation of the resolution, which will begin with a presidential decree, to be followed by implementing regulations. If Iran does not meet the terms of UNSCR 1737, Russia will undoubtedly attempt to slow down the imposition of any further sanctions and will argue for only the most incremental of steps. Russia is likely to watch the EU-3 closely to determine how far the Europeans are willing to go in pushing Iran and then adjust accordingly, always keeping closest to Tehran in order to protect its interests.

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